

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – AUGUST 13, 2003

PRESENT: Chairman Anthony Maiola and Commissioners John Byrne and Patricia Russell; Craig Bulkley, Bureau Chief of Administrative Services; John Bunnell, Administrator of Marketing & Sales; Howard Roundy, Director of Information Technology; Peter Engel, Director of Store Operations; Aidan Moore, Chief of Enforcement; Richard Gerrish, Spirits Marketing Specialist; Nicole Horton, Wine Marketing Specialist; George Tsiopras, Chief Financial Officer; Al Picconi, United Beverages, Inc.

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

The SA1000 report for the week ending August 10, 2003 shows retail sales were up a little over 4.2%, on-premise sales were up about 9%, off-premise sales were up 30%, and total aggregate sales were around 8.3%. The traffic count increased by 8,087, as did the average sales ticket by \$.57.

The W-1 Total Weekly Sales Report for the same week confirms total sales increased by 8.3% or \$627,008, as they did for the year by 9.48% or \$4,105,705. Wine sales were up for the week by 12.68% or \$402,930, and were also up by a little over 10% or \$1,876,564 for the year. Sales of spirits increased 5.13% or \$224,078 for the week, as they did year-to-date by 9% or \$2,229,141.

B. Budget Reports:

In regards to outstanding depletions and post-offs, Craig reported that the interest charges accrued against Martignetti Companies have been removed and a letter sent to them stating this. The Phoenix Marketing account remains the same, with no further action taking place. A phone call has not yet been returned from Horizon Beverages, but they have been paying off their account on a regular basis.

There has been a surge in the purchase of gift cards, but it still remains to be seen what may happen during periods when larger sales volumes are expected. Craig suggested it might be a good idea to consider holiday advertising and/or promotions for gift cards. John Bunnell indicated that this type of advertising was, in fact, being planned.

The renewal for the Enforcement lease was pulled from this morning's Governor and Council agenda, and the next meeting will not take place until September 3rd. The landlord will be contacted to confirm that there will be no problems for the Bureau to remain at that site as tenant-at-will. Craig will attend the Governor and Council meeting today.

There is a bureau chiefs' meeting scheduled for today at 1:30 p.m., and a Fiscal Committee meeting at 1:00 p.m., which Craig and George will both attend.

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A meeting is scheduled for next Monday, August 18 at 9:00 a.m. to discuss Law Warehouse's proposal regarding rates. Brian Law will be invited to attend.

The W-6 Expense Budget Activity Variance Report for the week ending August 12th shows we are about 47% of the way through the first quarter of the year. So far 47.3% of the monies have been expended. There was nothing of significance to report.

The Accounting department is working on year-end financials, and is close to solving one major issue. Preliminary financial reports will be submitted for the Commission's review.

American Express has agreed to sign a P-37 form. The new contract will reduce the interest rate to 2.25%.

There was brief discussion regarding Commission employees who are currently out on workman's compensation. The Commission is one of the top two agencies in terms of the number of employees using workman's compensation; Commissioner Byrne felt a more detailed report was needed on all of these employees each quarter. Craig said a weekly report would be submitted. Keeping a watch on this will be one of the tasks of the new Human Resources Administrator.

2. IT Reports

The state got hit about a week ago with a worm virus, but the results haven't been too serious. Now there is another one which could really bring networks down to a crawl. IT personnel will be working on each computer in the building to stop this virus from infecting equipment here.

People involved in payroll will receive instruction tomorrow regarding "pals", which is the new leave and attendance system. This system will provide great flexibility regarding work codes and tracking leave, deductions and attendance, and so should be a significant improvement. Individuals will be able to access their own records for review.

II. MARKETING & SALES REPORTS

1. Store Operations:

Peter said there will be a meeting later today regarding the use of promotional cards concerning the gift card concept. There will also be promotional pieces developed for the holidays.

Total store sales for the week ending 8/10/03 were up 255,279.58 or 4.1%. Peter mentioned that the figures for Store #66, Hooksett, were understated last week, which changes the figures for this week.

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So far applications have been received from nine store employees to be considered for the Enforcement training program.

- A. Store Hours of Operation (Monday, Sept. 1, 2003 – Labor Day 2003; Extended Hours on Friday, August 29, 2003):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve extended store hours of operation for Friday, August 29 and Monday, September 1, 2003 due to anticipation of increased customer demand for the Labor Day holiday weekend, as recommended by Peter Engel, Director of Store Operations and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2. Purchasing Report:

Work continues with Brown-Forman to alleviate the out-of-stock situations of some of their products. More Finlandia Vodka is expected to be delivered. Bombay Gin is temporarily out, and an answer is pending on that. John will speak to Andrew Shelley of M.S. Walker regarding a number of their items that are out-of-stock.

3. Merchandising Report:

- A. SPIRITS:

- 1) Test Market Products:

- a. Test Market Request (Grey Goose La Vanille Vodka):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/Sidney Frank Importing Co. for a new test market product listing for Grey Goose La Vanille Vodka, 750ML size (assigned four-digit Code #3864), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. Test Market Request (Sylk Cream Liqueur):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/Bacardi USA, Inc. for a new test market product listing for Sylk Cream Liqueur, 750ML size (assigned four-digit Code #8558), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Test Market Request (Linie Aquavit):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Capstone International for a new test market product listing for Linie Aquavit, 750ML size (assigned four-digit Code #5322), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. Test Market Request (Rosita Coffee Liqueur):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./ Mohawk Distilled Products for a new test market product listing for Rosita Coffee Liqueur, 750ML size (assigned four-digit Code #5245), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

e. Test Market Request (Liquore Amaretto):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Mohawk Distilled Products for a new test market product listing for Liquore Amaretto, 750ML size (assigned four-digit Code #5347), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

f. Test Market Request (Cask & Cream Chocolate Temptation & Caramel Temptation):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Pine State Trading Company/E & J Gallo Winery for new test market product listings for Cask & Cream Chocolate Temptation, 750ML size (assigned four-digit Code #5400) and Cask & Cream Caramel Temptation, 750ML size (assigned four-digit Code #5402), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

g. Test Market Results (Codes #5143, #2840, #2841, #2842 & #5625):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve for specialty listing the following five (5) 750ML spirit codes which failed to earn their respective gross profits required

for full distribution at the conclusion of a six-month test market period, but did achieve their gross profits required for specialty status, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales: Code #5143, Agavero Tequila; Code #2840, Signatory Islay; Code #2841, Signatory Lowland; Code #28412, Signatory Highland; and Code #5625, Baja Mocha. The motion was unanimously adopted.

2) Line Extension Request (E & J Brandy VSOP, 375ML):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Pine State Trading Company/E & J Gallo Winery for a line extension on E & J Brandy VSOP, 375ML size (assigned four-digit Code #5404), as this brand in both the 750ML and 1.75L sizes have both exceeded their respective gross profits required for an added size listing, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) October Special Offers:

a. 3 items – Pine State Trading Co./E & J Gallo Winery:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Pine State Trading Co./E & J Gallo Winery, based upon depletions of three (3) spirit items, to be featured on sale during October 2003, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 4 items – Pine State Trading Co.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Pine State Trading Co., based upon depletions of four (4) spirit items, to be featured on sale during October 2003, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. 31 items – Executive Wine & Spirits/Martignetti Companies:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Executive Wine & Spirits/Martignetti Companies of N.H., based upon depletions of thirty-one (31) spirit items, to be featured on sale during October 2003, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John

Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- d. 87 items – Horizon Beverage Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions of eighty-seven (87) spirit items, to be featured on sale during October 2003, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- e. 112 items – United Beverages, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions of one hundred and twelve (112) spirit items, to be featured on sale during October 2003, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 4) 2003 Holiday Listings:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve twenty-four (24) spirit items to be featured as 2003 holiday listings, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

- 1) Special Offers for October 2003:

- a. 2 items – R.P. Imports:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from R.P. Imports, based upon depletions of two (2) wine items, to be featured on sale during October 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. 8 items – M.S. Walker, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from M.S. Walker, Inc., based upon depletions of eight (8) wine items, to be featured on sale during October

2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. 36 items – Executive Wine & Spirits:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Executive Wine & Spirits, based upon depletions of thirty-six (36) wine items, to be featured on sale during October 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. 120 items – Martignetti Companies of N.H.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Martignetti Companies of N.H., based upon depletions of one hundred and twenty (120) wine items, to be featured on sale during October 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Purchase & Distribution & Floor Stock Adjustment of 99 Bordeaux:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the purchase and distribution of 99 Bordeaux cases involving sixteen (16) wine codes, including a floor stock adjustment and price reduction on remaining inventory, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Recommended Allocated & Restricted Wines for Distribution to Selected Stores (6 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the distribution to selected stores of six (6) allocated and restricted wines, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Not Recommended – Wine Specialty & Allocated (1 item):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the non-recommendation of one (1) wine code to be designated as a wine specialty and allocated product, as recommended by Nicole Horton, Wine

Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 5) Primary Source Submissions (2 items – primary source; 20 items – exclusive agent; 37 items – imported):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of two (2) wine codes which are from primary source; twenty (20) wine codes which are not from primary source, but are offered by the exclusive marketing agent; and thirty-seven (37) wine codes which are not from primary source, but are imported, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORTS – None.

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated August 7 through August 13, 2003. The motion was unanimously adopted.

2. Coupon Approvals: None.

3. Late Items: None.

Anthony C. Maiola, Chairman

John W. Byrne, Commissioner

Patricia T. Russell, Commissioner

